

# PUTTING INVESTORS FIRST

The Role of State Securities Regulators



## The Many Faces of Investors

Today, more than 85 million investors, or roughly half of all U.S. households, rely on the securities markets to plan and prepare for their financial futures. While securities markets are global, securities are sold locally by professionals who are licensed in every state where they conduct business. Each state has a securities regulator to protect its citizens. The principal focus of state securities regulators is preventing fraud and abuse at the retail point of sale. See inside to learn more about the securities regulators in your State and how and when they can help investors.



## *The Role of State Securities Regulators*

State securities regulators were the first to recognize the need for investor protection and have been protecting Main Street investors from fraud for nearly 100 years. State securities regulators serve the investing public in your state and play a unique role in their protection. Many state regulators also help small businesses raise money and comply with securities laws. Some state securities regulators are appointed by their Governors or Secretaries of State, others are career state government employees. Only five come under the jurisdiction of their states' Attorneys General. To learn more about your state securities regulator, visit the North American Securities Administrators Association (NASAA) website ([www.nasaa.org](http://www.nasaa.org)).

## *On the Front Lines of Investor Protection*

State securities regulators have a long record of success in protecting investors at the local level. As an investor's front line of defense, state securities regulators provide residents with information about securities firms or individuals selling securities within the state. Many investors understandably feel that their local state securities regulator is the logical place to start with a grievance when they believe a broker or investment adviser has treated them unfairly. State regulators are quick to respond, even to individual complaints that may not signal the type of widespread abuse of interest to regulators at the federal and self-regulatory organization levels.



## *How State Securities Regulators Serve and Protect Investors*

State securities regulators are vigilant in their enforcement role concerning the conduct of licensed broker-dealers and their registered representatives. State regulators investigate complaints and work closely with criminal prosecutors at the federal, state and local levels to punish those who violate securities laws.

A primary and routine objective of state securities regulators is to obtain restitution for residents as part of enforcement actions. For example, in the most recent reporting period, state securities regulators collectively obtained orders for more than \$309 million in restitution. During the same period, roughly \$71 million was ordered in civil and administrative fines and penalties.

States currently have full authority to fashion remedies for a variety of problems depending upon the specific facts of each case. State securities regulators can, for example:

- require firms to conduct special supervision;
- re-educate brokers;
- monitor trading;
- make specific disclosures to investors;
- conduct special audits or reviews; and
- produce reports to state regulators to demonstrate compliance.

These remedial sanctions are an important enforcement tool in addition to restitution and monetary penalties. Where state securities regulators investigate and resolve enforcement cases using these remedies, their judgment regarding appropriate outcomes are legally binding and in the best interest of investors.



## *An Early Warning System*

State securities regulators are often first to identify investment scams and to bring enforcement actions to halt and remedy a wide variety of investment-related violations. States are an indispensable early warning system to alert the public, other regulators and policy makers to problems. State regulators then work with national regulators on market-wide solutions when necessary.

It bears repeating: the state securities regulators investigate and bring enforcement actions – they do not engage in rulemaking for the national markets. That responsibility belongs to the SEC and the SROs. Federal law, as amended by The National Securities Markets Improvement Act of 1996, prohibits the states from passing laws or promulgating rules, regulations and orders in certain areas that are different from federal laws or regulations. The SEC agrees that when it comes to investigation and enforcement, the federal agency can't go it alone. That is why there must be continued cooperation and shared labor among state, federal, and industry regulators.

## *Investor Education: The Tool to Protect Investors from Fraud*

An informed investor is the best defense against fraud. An investor who asks the right questions and checks with his or her state securities regulator to determine if an investment and its salesperson are properly registered is less likely to be a victim of fraud.

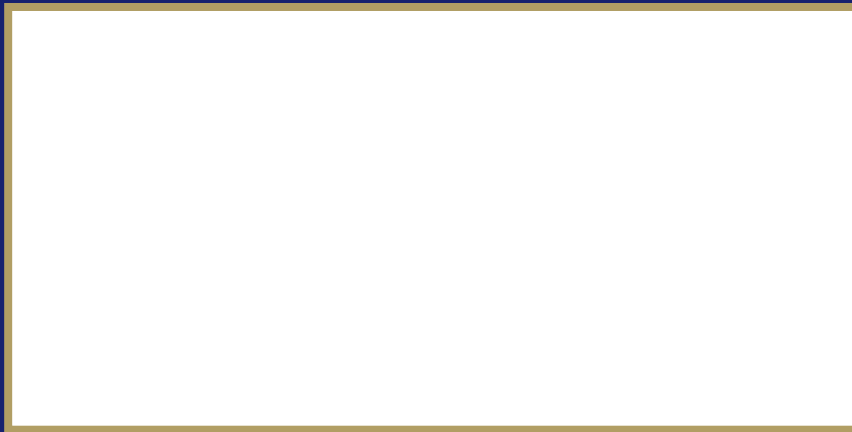
Investor education and financial literacy give investors the tools to protect themselves. State regulators offer to the public many publications and video presentations to help investors understand how to evaluate investments and avoid becoming a victim of fraud. State securities regulators also offer and participate in investor education programs to increase financial literacy, such as Financial Literacy 2010, which provides educational programs for secondary schools to help America's teens understand personal finance and investing. State securities regulators also have designed educational programs to teach financial concepts to children to better enable them to evaluate investment opportunities when they become adults.



## *Regulatory Partnership: Wall Street to Main Street*

Our nation's unique complementary system of state, federal, and industry regulation ensures fair markets for all investors. The federal-state-industry regulatory relationship is like a three-legged stool; if one leg is weakened, it can destabilize the entire structure. This system has a proven record of serving investors well for more than 60 years. With 85 million investors relying on our securities markets to meet their financial goals—and on regulators to keep those markets well policed—we can't afford to undermine this successful and complementary regulatory system.

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### *For More Information*

Contact information for your securities regulator can be obtained by visiting the North American Securities Administrators Association (NASAA) website ([www.nasaa.org](http://www.nasaa.org)). At the homepage, click on "Find Regulator" and scroll to your state. You can call NASAA at (202) 737-0900.



NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

10 G Street, N.E., Suite 710, Washington, D.C. 20002

Telephone: (202) 737-0900 / Fax: (202) 783-3571 / Toll Free: (888) 84-NASAA (*fax-on-demand*)

E-mail: [info@nasaa.org](mailto:info@nasaa.org) / Website: [www.nasaa.org](http://www.nasaa.org)